I. Statutory Resolution Seeking Disapproval Of The Banking Regulation (Amendment) And Miscellaneous Provisions Ordinance, 2004

II. The Banking Regulation (Amendment) And Miscellaneous Provisions Bill, 2004

MR. DEPUTY CHAIRMAN: We will take up the Statutory Resolution and the Bill together. Dr. Alladi P. Rajkumar. He is absent. So, the Statutory Resolution is not moved. Now, the Finance Minister.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I get to move:

> "That the Bill further to amend the Banking Regulation Act, 1949 and the Deposit Insurance and Credit Guarantee Corporation Act, 1961, as passed by Lok Sabha, be taken into consideration."

Sir, this is a non-controversial Bill. As you know, Sir, the Supreme Court of India delivered a judgement in which the Supreme Court held that a State Government did not have the power to notify an apex bank as a cooperative society, and, therefore, the Reserve Bank of India did not have the authority to license such an apex bank. We are trying to get over that lacuna. There are 34 such multi-State cooperative societies which have been licensed by the RBI. We could not have left a vacuum. This judgement came in last year, in October, 2003. The then Government was considering amendments, but before the amendments could be moved, Parliament was dissolved, and there has been a change. So, we are introducing the Bill to fill that gap. Now, the Reserve Bank of India will have the authority to license multi-State cooperative societies. You will find in Section 2(I)(A) of the Bill that all licences granted so far shall be deemed to have been validly granted. Secondly, we want the deposits of all these multi-State cooperative societies also to be eligible to be insured by the Deposit Insurance and Credit Guarantee Corporation. So, the Section is being amended to clarify that the deposits of these multi-State cooperative societies will also get the benefit of the Deposit Insurance and Credit Guarantee Corporation Act. In order to effect these two changes, I am moving these amendments. This Bill was passed unanimously by all sections of the House in the Lok Sabha. I am sure, I will get unanimous support from all sections of the House.

The question was proposed.

SHRI JAIRAM RAMESH (Andhra Pradesh): Sir, I rise to support the conversion of the Ordinance that has already been issued. That is now being presented in the form of a Bill for conversion into the Act finally. But, Sir, there are two or three specific comments that I want to make in the form of queries to the hon. Finance Minister, one of which relates to the Bill itself, and one relates to the large issue of cooperatives, which has been the subject-matter of two JPC Reports which have been formed in the wake of the securities scam.

Sir, first of all, the specific query that I have is this. If you read the Bill, and if you read particularly the Statement of Objects and Reasons, it is very clear that the Reserve Bank of India will have an overriding authority on regulation of these 35 multi-State cooperative banks set up under the Multi-State Cooperative Societies Act. The question that is left somewhat vague is whether this is an overriding single authority or whether this falls prey to the old problem that has vexed regulation of cooperatives,—and the former Governor of the Reserve Bank is here as well—and, perhaps, this could be a subject for discussion whether this is a single point regulatory authority or whether there is still room for having a dual authority both on the part of the Reserve Bank of India and the State Government. As the hon. Finance Minister knows, this is being a grey area of regulation of cooperative banks, and I would like this clarification to be made. If indeed the object is to have only one regulator as seems to be the intent in the wording of the law, then that may please be clarified. Otherwise, Sir, the old problem, as I mentioned, of dual control over cooperatives will be left unanswered by this Bill when it is finally passed.

Sir, the second point that I would like to make here is, if you look at clause 36AAA, the power of the Reserve Bank of India to supersede the Board of the society extends for a period of five years. Now, is it the intention, is it the reading, of the hon. Finance Minister that the period of five years is the minimum period that is required for cleaning up all the books of the multi-State co-operative banks, which seems to be the case, as far as this Act is concerned? It seems to me that five years is too long a period. There should be a provision providing for a specific period, though it is stated that the total period will not exceed five years. But you are leaving yourself to an open-ended intervention on the part of the Reserve Bank over a period of five years. I would like to have a specific period, a short time period, to be specified in the Act itself.

Finally, the larger issue of regulation of co-operative credit institutions remains unanswered. Of course, this is not the intent of this legislation. A

debate has gone on in this country for almost ten years, as I mentioned to you, in the wake of the two JPC Reports. We had a large number of collapses, a large number of scams and a large number of failures involving lakhs and lakhs of ordinary depositors, particularly, of urban co-operative banks. We have statements given by responsible financial sector players that we are sitting on a time bomb, as far as co-operative banks are concerned. I would like the hon. Finance Minister to take the House into confidence on whether he is bringing a finality to this debate and whether he will, once and for all, provide for a powerful, effective and single-point regulatory authority for co-operative banks which has been the subject of so much controversy. Thank you.

श्री ललितभाई मेहता (गुजरात): उपसभापति महोदय, मैं बैंकिंग रेगुलेशन अमेंडमेंट एंड मिसीलिनियस प्रोवीजंस बिल, 2004 का स्पैरिंगली समर्थन करना चाहूंगा।

उपसभापति जी, सहकारी संस्थाएं हमारे देश के संविधान की राज्य सूची की एंट्री 32 के तहत आती हैं, इसलिए प्रत्येक राज्य ने अपने सहकारी कानून अलग बनाए हैं। सहकारी संस्थाओं में भी बैंकिंग व्यवसाय करने वाली संस्थाओं पर बैंकिंग रेगुलेशन एक्ट, 1949 भी लागू होता है और मल्टी स्टेट कोऑपरेटिव सोसायटीज एक्ट के तहत काम कर रही बैंकिंग संस्थाओं का केन्द्रीय कानून के तहत रजिस्ट्रेशन वगैरह होता है। महोदय, जैसा कि वित्त मंत्रीजी ने बताया इस बिल में किए जा रहे प्रावधानों के तहत सुप्रीम कोर्ट के फैसले के कारण मल्टी स्टेट कोऑपरेटिव बैंकों को लाइसेंस न दिए जाने की परिस्थिति को सुधारा जा रहा है। साथ ही जमाकर्ताओं को बीमा का संरक्षण प्राप्त हो, इस दृष्टि से भी प्रावधान किया जा रहा है। उपसभापति जी, इन दो बिंदुओं तक मुझे कोई दिक्कत नहीं है, लेकिन मैं यह चाहता हूं कि हमारे देश में सहकारी क्षेत्र की जो प्रवृत्तियां चल रहीं है , उनके तहत कई समितियां बनी थीं जिनमें एक खुसरो समिति वर्ष 1989 में बनी थी। उस खुसरो समिति ने एक सुझाव दिया था कि हमारे देश में भी सहकारी क्षेत्र के लिए एक अपैक्स बॉडी होनी चाहिए। महोदय, आज परिस्थिति यह है कि देश में कोऑपरेटिव बैंक ऑफ इंडिया का रजिस्ट्रेशन हो गया है ,लेकिन उसको लाइसेंस नहीं दिया जा रहा है और वह इसलिए नहीं दिया जा रहा है क्योंकि कोऑपरेटिव बैंक ऑफ इंडिया के एक्ट में जो उसकी व्याख्या दी गयी है, उसके तहत उसको मान्यता नहीं मिल सकती है। महोदय, सेक्शन 56 की (B) (cciiia) में जो डिफिनीशन दी गयी है, उसके अनुसार, "muti-State co-operative bank" means a multi-State co-operative society which is a primary co-operative bank. अब सिर्फ प्राइमरी कोऑपरेटिव बैंक को ही मल्टी स्टेट कोऑपरेटिव बैंक मानेंगे और कोई अपैक्स बॉडी है, उसको अगर मान्यता नहीं दी जाएगी, उसको लाइसेंस नहीं दिया जाएगा तो मुझे यह लगता है कि सब दुखों की एक दवा ऐसा अगर हम कहते हैं तो यह अपैक्स बॉडी, मल्टी स्टेट कोऑपरेटिव बैंकों के लिए, अर्बन कोऑपरेटिव बैंकों के लिए कोऑपरेटिव सेक्टर में काम करने वाले बैंकिंग इंस्टीट्यूशंस के

लिए, चाहे एग्रीकल्चरल क्रेडिट है या इंडस्ट्रियल क्रेडिट है या ट्रेड के लिए क्रेडिट है, यह बननी चाहिए उसको इस दायरे में क्यों नहीं लाया जा रहा? मैं वित्त मंत्री जी से यह आग्रह करना चाहूंगा कि यह सेक्शन जो है सीसी(3)ए मल्टी स्टेट वाली डिफिनेशन जो है उसमें जो इनएडिक्वेसी है, उसको आप सुधार लीजिए और नेशनल लेवल पर जो कोऑपरेटिव बैंक ऑफ इंडिया बना है, उसको लाइसेंस मिले, इसका प्रावधान करिए।

दूसरी बात, मैं आपके ध्यान में लाना चाहूंगा, जैसा कि जय राम रमेश जी ने अभी जिक्र किया कि सेक्शन 36 एएए, वित्त मंत्री जी ने इसका उल्लेख नहीं किया, इंट्रोडक्टरी रेमॉर्क देते वक्त, लेकिन मुझे लगता है कि रिजर्व बैंक ऑफ इंडिया को ये स्वीपिंग पावर्स दिए जा रहे हैं जो सहकारी सिद्धांतों और सहकारिता के तत्वज्ञान के बिल्कुल विरुद्ध है। उपसभापति जी, मैं आपको याद दिलाना चाहूंगा कि देश के सभी सहकारिता मंत्रियों का एक सम्मेलन पश्चिम बंगाल में 17 दिसंबर, 2003 को हुआ था और उस कनवेंशन में जो रिजोल्यूशन पास किया है और उस रेजोल्यूशन में जो बात कही है, उसे मैं उद्धृत करना चाहूंगा "This Convention is convinced that if the infrastructure of the Cooperative Credit System falls apart, the very existence of other cooperative organisations will also be in jeopardy. The source of supply of credit to agriculture and industry will be dried up. The rural and urban economy will suffer irreparable loss. The usurious moneylenders will have their sway. The rural and urban poor, small and marginal farmers who received their supply of credit from cooperatives, will be hit the most which will ultimately ring the death-knell for the cooperative movement as a whole in India." यह रेजोल्यूशन में कहा गया, उस वक्त जो कांफ्रेंस थी, उसका उद्घाटन करते हुए पश्चिम बंगाल के मुख्य मंत्री श्री बुद्धदेव भट्टाचार्य जी, उन्होंने भी ऑब्जर्वेशन किया है। "It bestows on the Reserve Bank of India some sweeping powers that violate the established principles of cooperative mangagement. The provisions made in the proposed amendment include the powers of the Reserve Bank of India to (i) remove the Chairman or the Managing Director of a Cooperative Bank at will and appoint a 'suitable person' in his place; (ii) replace the Directors and reconstitute the Board; (iii) appoint additional Directors on the Board; (iv) reject application for alternation of the bye-laws; and (v) supersede the elected Board of Directors and appoint an Administrator." जो बात, जो आशंकाएं बुद्धदेव भट्टाचार्य जी ने उस कनवेंशन में कही थी, वही बात वित्त मंत्री जी यहां पर ला रहे हैं। डुअल कंट्रोल की बात खत्म नहीं हो रही है। रजिस्ट्रेशन आपने करवाना है, ऑडिट करवाना है, हिसाब देखना है वे सब बातें मल्टी स्टेट कोआपरेटिव सोसायटीज़ एक्ट के तहत रजिस्ट्रार ऑफ कोऑपरेटिव सोसायटीज़ ही देखेगा, लेकिन यह एक बात जो रिजर्व बैंक ऑफ इंडिया के पास जाएगी उसके कारण मुझे लगता है कि यह कोऑपरेटिव स्पिरिट के बिल्कुल विरुद्ध बात होगी। फिर से आपको एसेस करनी चाहिए। मैं यह चाहूंगा वित्त

मंत्री जी अगले बजट सैशन में कोई पूरा एक्जास्टिव कानून लाने वाले हैं बैंकिग के लिए, तो उस वक्त पूरा ध्यान रखकर के इस प्रावधान को अब हटा दीजिए और उस वक्त जो पूरा विचार करके लाना हो तो लाइए।

मैं एक और बात की ओर भी आपका ध्यान दिलाना चाहूंगा कि ये सब बातें जो हुई हैं, स्पेशली जो माधवपुरा मर्कैंटाइल कोऑपरेटिव बैंक के स्कैम के बाद, 2001 में जो माधवपुरा का स्कैम हुआ और उसके बाद जो अनेक बातें सहकारी क्षेत्र में बनी, ये सब उसके कारण हुई हैं, लेकिन कोऑपरेटिव बैंकों में जो ऑफिस बेयरर्स हैं उसको अगर लैंडिंग करना है, उसको अगर इनवेस्टमैंट करना है, वह जेन्यूइन है या नहीं है नेक इरादे से कर रहे हैं या नहीं कर रहे हैं। तो मुझे लगता है कि अगर कोई बोर्ड ऑफ डायरैक्टर्स के पदाधिकारी या बोर्ड ऑफ डायरेक्टर्स के मैम्बर डिफॉल्ट करते हैं, मैनेजमैंट में डिफॉल्ट करते हैं, तो उस डिफॉल्ट के लिए उनको सजा देने के लिए अलग से कोई प्रावधान होना चाहिए, प्रोवीजन होना चाहिए, वह नहीं है। मैं समझता हूं कि यह जो लोकल लीडरशिप है, वही उस सहकारी संस्था के लाभकर्ता जो लोग हैं, जो नागरिक हैं, उनके लिए सबसे अच्छा जजमैंट ले सकती है। इस दृष्टि से अगर आप सरकार के किसी अधिकारी को वहां नियुक्त कर देंगे, एडमिनिस्ट्रेटर नियुक्त कर देंगे तो यह जो हमारा डेमोक्रेसी प्रिंसिपल है, जिसके तहत् ये सहकारी संस्थाएं चलती हैं वहां पर एक ब्यूरोक्राइटेशन हो जाएगा और ब्यूरोक्रेसी तो अपने आप अपनी रीति से काम करती है, उसको लोगों की भावनाएं क्या हैं , लोगों की आवश्यकताएं क्या हैं, उसके साथ कोई सरोकार, कोई संबंध नहीं रहता। इसलिए यह जो इसमें 36-एएए है, इसका मैं पुरजोर विरोध करता हूं और वित्त मंत्री जी को निवेदन करता हूं कि इस प्रावधान को इसमें से हटा लीजिए और जो एक पूरा बिल आप बजट सेशन में लाने जा रहे हैं, उसमें विचार करें।

उपसभापति महोदय, यह जो सहकारी संस्थाओं का काम है, वह सुचारू रूप से चले, इसमें रिजर्व बैंक को एक अहम रोल निभाना चाहिए। एक विद्वान ने कहा है कि Central Bank is a bank of the Government and Central Bank is a bank of banks also. मैं पूछना चाहूंगा कि रिजर्व बैंक ऑफ इंडिया ने अपने अस्तित्व के इतने सालों में सहकारी क्षेत्र के बैंकों के लिए डवलपमैंटल रोल क्या अदा किया है? इस बैंक का रोल रेगुलेटरी भी है, डवलपमैंटल भी है। यह सेक्शन 5, रिजर्व बैंक ऑफ इंडिया एक्ट में लिखा है। आप मुझे एक उदाहरण बताइए कि रिजर्व बैंक ऑफ इंडिया ने डवलपमैंटल रोल, खासकर के सहकारी बैंकों के लिए, क्या अदा किया है? मेरे मन में यह एक बहुत बड़ा सवाल है। इसको ध्यान में रखते हुए रिजर्व बैंक ऑफ इंडिया को इतने स्वीपिंग पावर देने के विरोध में मैं हूं। इस मुद्दे के बावजूद जो दो मुद्दे वित्त मंत्री जी ने कहे हैं, उनके लिए मैं इस बिल का समर्थन करता हूं। धन्यवाद।

SHRI MATILAL SARKAR (Tripura): Sir, I thank you for giving me an opportunity to give my views on the Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2004.

At the outset, I thank the hon. Finance Minister for having brought a very useful Amendment in the Banking Regulation Act. I support the Bill, and I would like to mention a few words about it. So far as the significance of the co-operative movement is concerned, the cooperative system aims at decentralising and financial forces up to the grassroots level. Of course, we are having democracy, and we are extending political powers democratically up to the grassroots level, up to the three-tier Panchayats. In addition, we have another hand, that is, the financial institutes to pull down the financial forces up to the grassroots level. This should be kept in mind while dealing with the co-operative system.

Sir, I understand that the Amendment has arisen out of the verdict given by the hon. Supreme Court regarding the jurisdiction of the Reserve Bank of India in dealing with matters of the muli-State co-operative banks and in controlling their management. This was not there in the original law. That is why this amendment has been sought. The Amendment has been sought very promptly. That is why I once again thank the hon. Minister for this. Though the verdict relates to the Urban Bank of Maharashtra and Goa Limited, it has a bearing on the other multi-State cooperative banks also. That is why this amendment is necessary.

Sir, I agree with the hon. Finance Minister that the Reserve Bank should be given power to supersede the boards of multi-State cooperative banks. But here, in the Act, it is provided that the board will be superseded, and an administrator will be appointed in its place for a maximum period of five years. Sir, here, I have some reservations. If this appointment of an administrator for a period of five years becomes a normal practice, then it will mean a switch-over from democratic administration to bureaucratic administration, and the basic concept of democracy in multi-State cooperative banks will be lost. I think the hon. Finance Minister may please clarify how this period of five years can be reduced. I would also like to add that the five-year period should be allowed in exceptional cases.

Then, taking advantage of this amendment, I would like to throw some light on the achievements and failures of the cooperative movement as a whole because this is the centenary year of the cooperative movement in the country, and in every State, and, in fact, in every nook and corner of the country, the failures and achievements of the cooperative movement are being discussed at length. So, I would invite the attention of the hon. Finance Minister to sort out the problems pertaining to cooperative banks, one after another, closing their doors. Why are the cooperative banks not

flourishing? I think the hon. Finance Minister will agree that at least 10 per cent of the cooperative banks all over the country are under liquidation. Why are they being forced to go under liquidation in this manner? What are the lacunae? What are the reasons that are creeping into the management for the running of the cooperative banks into liquidation. This has to be sorted out, and by doing so, I think, the hon. Finance Minister will bring here a comprehensive Bill so that all these lacunae may be removed and a comprehensive Act will strengthen the cooperative movement as a whole. We should not deal with only the supersession of multi-State cooperative banks boards, but rather, we should have a comprehensive Act.

Sir, I would like to point out one thing. When the banks run into closures and liquidation, who suffers? The middle income group, provident-fund holders, pensioners, employees, keep their savings in the cooperative banks because the cooperative banks give more interest in comparison with the other banks, and if a bank fails, then whole of their earnings go down the drain.

Sir, I will mention here in this regard one instance pertaining to my State of Tripura. When the Third Left Front Government assumed office in our State, they observed and felt that the State cooperative bank was on the verge of sinking.

MR. DEPUTY CHAIRMAN: How much more time will you take?

SHRI MATILAL SARKAR: Only one minute.

Now, they took initiatives for revitalising these institutions. My point is that the State Government has sent a detailed programme to the Central Governemnt demanding Rs. 35,88,00,000/- for revitalishing this bank. I request the hon. Finance Minister to take care of it. (*Interruptions*) Sir, I think the hon. Minister has not taken note of this. I request him to take note of this. Sir, I would also like to point out that this comes under your Common Minimum Programme. So, you should allow us to revitalise these institutions as far as possible. We require only Rs. 35 crores and 88 lakhs, which is not a big amount. Sir, in our State, some of LAMP and PACS have become inoperative because of the fact that poor farmers have run into over-dues due to floods and droughts and they could not reap their crops. That is why about twelve crores of rupees have become overdue and that amount has to be waived. I think the State Government has sent the proposal for this. I hope the hon. Minister will take note of these things.

With these words, I conclude.

MR. DEPUTY CHAIRMAN: The House is adjourned for lunch for one hour.

(The House then adjourned for lunch at two minutes past one of the clock.)

The House re-assembled after lunch at two minutes past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

The Banking Regulation (Amendment) and Miscellaneous Bill, 2004 — *Contd.*

MR. DEPUTY CHAIRMAN: Now, Shri C. Perumal.

SHRI C. PERUMAL (Tamil Nadu): Sir, I rise to express my views on the Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2004, on behalf of the AIADMK. I wish to make it very clear that the cooperative societies are within exclusive jurisdiction of the State Governments. As we all know, cooperative societies accept deposits and lend money to the members only. They do not accept money from the public and their transactions are limited to the members only. Whereas a cooperative bank accepts money from public and also lends money to the public. Though I welcome the provisions of the Bill that protect the depositors in the cooperative banks, I wonder what type of protection the depositors in the cooperative societies will get.

Sir, another important point I wish to raise is, if a private sector bank performs badly due to mismanagement or fraud or due to any reason, the nationalised banks are asked to take over the bank. Recently, it happened in the case of the Global Trust Bank, which collapsed, was taken over by the Oriental Bank of Commerce, a nationalised bank. In the case of cooperative banks, the depositors are poor farmers and workers and their hard-earned money is saved in those banks. But, due to poor administration, these banks collapse and depositors have to wait for a long time to get their money back and sometimes, they do not get anything. There should be some sort of regular inspection and audit in the cooperative banks also.

Sir, now the Reserve Bank of India is being vested with powers to issue licenses to cooperatives registered under the Multi-State Cooperative Act. The Reserve Bank of India should be liberal in granting licenses for starting cooperative banks. In rural areas, the nationalised banks are not encouraged to start operations, what to talk of private and foreign banks. In those areas, people solely depend on cooperative banks only.